

SECURITI



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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Holbein Associates, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

15770 Dallas Parkway, Suite 901

(No. and Street)

Dallas

(City)

TX

(State)

75248

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Richard Holbein

972-934-9333

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Hutton, Patterson + Company

(Name - if individual, state last, first, middle name)

4450 Sigma, Suite 130

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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SO  
3/16/0593  
3/14/05

# OATH OR AFFIRMATION

I, Richard Holbein, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Holbein Associates, Inc., as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Richard Holbein

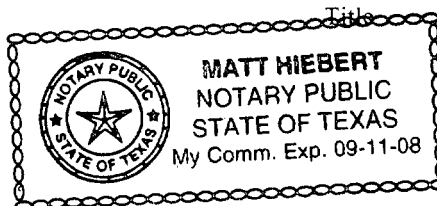
Signature

President

Title

Matt Hiebert

Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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## INDEPENDENT AUDITORS' REPORT

Holbein Associates, Inc.  
Dallas, Texas

We have audited the statements of financial condition of Holbein Associates, Inc. (an S Corporation), as of December 31, 2004 and 2003, and the related statements of income, changes in shareholder's equity, changes in liabilities subordinated to claims of general creditors and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holbein Associates, Inc. as of December 31, 2004 and 2003, the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hutton, Patterson & Company*

January 25, 2005  
Dallas, Texas

**HOLBEIN ASSOCIATES, INC.**  
Statements of Financial Condition  
December 31, 2004 and 2003

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| ASSETS                         |                   |                   |
|--------------------------------|-------------------|-------------------|
|                                | 2004              | 2003              |
| CURRENT ASSETS                 |                   |                   |
| Cash                           | \$ 52,617         | \$ 42,110         |
| Fees receivable                | <u>65,280</u>     | <u>74,627</u>     |
| TOTAL CURRENT ASSETS           | <u>117,897</u>    | <u>116,737</u>    |
| <br>FURNITURE AND EQUIPMENT    |                   |                   |
| Computer equipment             | 91,966            | 85,494            |
| Office furniture and equipment | 19,380            | 19,380            |
| Telephone system               | <u>7,378</u>      | <u>7,378</u>      |
|                                | 118,724           | 112,252           |
| Less accumulated depreciation  | <u>102,502</u>    | <u>97,936</u>     |
| NET FURNITURE AND EQUIPMENT    | <u>16,222</u>     | <u>14,316</u>     |
|                                |                   |                   |
|                                | <u>\$ 134,119</u> | <u>\$ 131,053</u> |

(Continued)

**HOLBEIN ASSOCIATES, INC.**  
Statements of Financial Condition *(Continued)*  
December 31, 2004 and 2003

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| LIABILITIES AND SHAREHOLDER'S EQUITY   |                   |                   |
|--|-------------------|-------------------|
|  | 2004              | 2003              |
| CURRENT LIABILITIES  |                   |                   |
| Accounts payable   | \$ 9,108          | \$ 10,530         |
| Payroll taxes  | <u>48</u>         | <u>(6)</u>        |
| TOTAL CURRENT LIABILITIES  | <u>9,156</u>      | <u>10,524</u>     |
|  |                   |                   |
| SHAREHOLDER'S EQUITY   |                   |                   |
| Common stock (100,000 shares authorized,<br>10,000 shares issued and outstanding,<br>no par value) | 10,000            | 10,000            |
| Retained earnings  | <u>114,963</u>    | <u>110,529</u>    |
| TOTAL SHAREHOLDER'S EQUITY   | <u>124,963</u>    | <u>120,529</u>    |
|  | <u>\$ 134,119</u> | <u>\$ 131,053</u> |

*The accompanying notes are an integral part  
of these financial statements.*

**HOLBEIN ASSOCIATES, INC.**  
**Statements of Income**  
For the Years Ended December 31, 2004 and 2003

|                           | 2004              | 2003              |
|---------------------------|-------------------|-------------------|
| <b>INCOME</b>             |                   |                   |
| Fees                      | <u>\$ 681,023</u> | <u>\$ 682,766</u> |
|                           | <u>681,023</u>    | <u>682,766</u>    |
| <b>OPERATING EXPENSES</b> |                   |                   |
| Salaries                  | 461,150           | 370,030           |
| Payroll taxes             | 21,597            | 23,052            |
| Annual physical           | 290               | -                 |
| Auto lease                | 7,208             | 3,604             |
| Automobile expense        | 472               | -                 |
| Bank charges              | 320               | 401               |
| Contributions             | 2,675             | 1,820             |
| Copy expense              | 1,246             | 1,529             |
| Data processing           | 10,650            | 53,239            |
| Database fees             | 40,842            | -                 |
| Depreciation              | 4,566             | 3,724             |
| Fees and registrations    | 3,505             | 3,054             |
| Insurance                 | 48,155            | 39,460            |
| Legal and accounting      | 6,013             | 5,240             |
| Meals and entertainment   | 4,000             | 12,951            |
| Office expense            | 92,296            | 91,774            |
| Postage                   | 1,768             | 2,198             |
| Professional associations | 585               | 735               |
| Taxes                     | 1,449             | 570               |
| Telecommunications        | 9,927             | 9,742             |
| Travel                    | 32,955            | 44,129            |
| Training                  | -                 | 1,200             |
|                           | <u>751,669</u>    | <u>668,452</u>    |
| <b>OPERATING LOSS</b>     | <u>(70,646)</u>   | <u>14,314</u>     |
| <b>OTHER INCOME</b>       |                   |                   |
| Other income              | 75,000            | -                 |
| Loss on investment        | -                 | (5,850)           |
| Dividend income           | 80                | 114               |
|                           | <u>75,080</u>     | <u>(5,736)</u>    |
| <b>NET INCOME (LOSS)</b>  | <u>\$ 4,434</u>   | <u>\$ 8,578</u>   |

*The accompanying notes are an integral part  
of these financial statements.*

**HOLBEIN ASSOCIATES, INC.**  
Statement of Changes in Shareholder's Equity  
For the Years Ended December 31, 2004 and 2003

|                                   | Number<br>Of<br>Shares | Common<br>Stock  | Retained<br>Earnings | Total             |
|-----------------------------------|------------------------|------------------|----------------------|-------------------|
| BALANCE, December 31, 2002        | 10,000                 | \$ 10,000        | \$ 101,951           | \$ 111,951        |
| Net Income                        | -                      | -                | 8,578                | 8,578             |
| <b>BALANCE, December 31, 2003</b> | <b>10,000</b>          | <b>10,000</b>    | <b>110,529</b>       | <b>120,529</b>    |
| Net Income                        | -                      | -                | 4,434                | 4,434             |
| <b>BALANCE, December 31, 2004</b> | <b>10,000</b>          | <b>\$ 10,000</b> | <b>\$ 114,963</b>    | <b>\$ 124,963</b> |

*The accompanying notes are an integral part  
of these financial statements.*



**HOLBEIN ASSOCIATES, INC.**  
Statements of Changes in Liabilities  
Subordinated to Claims of General Creditors  
For the Years Ended December 31, 2004 and 2003

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|                    | 2004               | 2003               |
|--------------------|--------------------|--------------------|
| BALANCE, beginning | \$ -               | \$ -               |
| Increases          | -                  | -                  |
| Decreases          | <u>-</u>           | <u>-</u>           |
| BALANCE, ending    | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

*The accompanying notes are an integral part  
of these financial statements.*

**HOLBEIN ASSOCIATES, INC.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2004 and 2003

|   | <b>2004</b>      | 2003      |
|---|------------------|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |           |
| Net income (loss)   | <b>\$ 4,434</b>  | \$ 8,578  |
| Adjustments to reconcile net loss to net cash provided<br>by (used in) operating activities |                  |           |
| Depreciation  | <b>4,566</b>     | 3,724     |
| Loss on investment  | -                | 5,850     |
| Changes in assets and liabilities   |                  |           |
| Decrease (increase in fees receivable)  | <b>9,347</b>     | (13,869)  |
| (Decrease) increase in accounts payable   | <b>(1,422)</b>   | 692       |
| Increase in payroll taxes   | <b>54</b>        | 30        |
|   | <hr/>            | <hr/>     |
| Net cash flows provided by (used in)<br>operating activities                                | <b>16,979</b>    | 5,005     |
|   | <hr/>            | <hr/>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |           |
| Proceeds from sale of investment  | -                | 9,150     |
| Purchases of furniture and equipment  | <b>(6,472)</b>   | (4,325)   |
|   | <hr/>            | <hr/>     |
| Net cash flows provided by investing activities   | <b>(6,472)</b>   | 4,825     |
|   | <hr/>            | <hr/>     |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>10,507</b>    | 9,830     |
| <b>CASH, beginning</b>  | <b>42,110</b>    | 32,280    |
|   | <hr/>            | <hr/>     |
| <b>CASH, ending</b>   | <b>\$ 52,617</b> | \$ 42,110 |
|   | <hr/>            | <hr/>     |

*The accompanying notes are an integral part  
of these financial statements.*

**HOLBEIN ASSOCIATES, INC.**  
Notes to Financial Statements

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Company Activities

Holbein Associates, Inc. (the Company) was incorporated March 13, 1986, under the laws of the State of Texas. Principal business activities consist of providing institutional clients with asset consulting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Commissions Income

Commissions income is recognized on a trade date basis.

Fees and Commissions Receivable

Fees, brokerage, and commissions receivable are generally received within ten days of month end.

Federal Income Tax

The Company has elected "S" Corporation status for federal income tax purposes. All income is taxed directly to the shareholder and no provision is made for federal income tax expense on the Company's financial statements.

(Continued)

**HOLBEIN ASSOCIATES, INC.**  
Notes to Financial Statements *(Continued)*

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, ranging from five to seven years.

Reserve for Doubtful Accounts

The Company's policy is to expense fees receivable of doubtful collectibility, therefore, no reserve is provided.

**NOTE B - NET CAPITAL**

Pursuant to the net capital provisions of rule 15(a)(3-1) of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital will fluctuate on a daily basis. The Company had net capital of \$42,458 and \$30,971 at December 31, 2004 and 2003, respectively.

**NOTE C - COMMITMENTS AND CONTINGENCIES**

The Company leased its principal office in Dallas, Texas under an operating lease that expires September 30, 2006. Monthly rentals of \$6,839 continue through the 36<sup>th</sup> month of the agreement then increase to \$7,165 through the remaining 24 months. As of December 31, 2004, future minimum lease commitments under the new non-cancelable operating lease are as follows:

|      |          |
|------|----------|
| 2005 | \$85,976 |
| 2006 | \$64,482 |

Office lease expenses of \$82,068 and \$82,078 are included in office expense for the years ended December 31, 2004 and 2003, respectively.

*(Continued)*

**HOLBEIN ASSOCIATES, INC.**  
Notes to Financial Statements *(Continued)*

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**NOTE C - COMMITMENTS AND CONTINGENCIES *(Continued)***

The Company also leases an automobile under an operating lease that expires in May 2007. As of December 31, 2004, future minimum lease commitments under the new non-cancelable operating lease are as follows:

|      |         |
|------|---------|
| 2005 | \$7,208 |
| 2006 | \$7,208 |
| 2007 | \$3,003 |

Auto lease expense totaled \$7,208 for the year ended December 31, 2004.

**NOTE D - RELATED PARTY TRANSACTION**

During the year ended December 31, 2003, the sole shareholder of the Company purchased the investment that had been held by the Company. The investment consisted of shares of NASDAQ. The stock was sold at the quoted value as of the date of sale for a total price of \$9,150. There was a loss on the sale of \$5,850.

## SUPPLEMENTAL INFORMATION

**HOLBEIN ASSOCIATES, INC.**  
**Computations of Net Capital**  
**December 31, 2004 and 2003**

|   | <b>2004</b>                    | 2003                           |
|---|--------------------------------|--------------------------------|
| <b>TOTAL SHAREHOLDER'S EQUITY</b>   | <b><u>\$ 124,963</u></b>       | <b><u>\$ 120,529</u></b>       |
| <b>LESS</b>   |                                |                                |
| Unsecured receivables   | <b>65,280</b>                  | 74,627                         |
| Net furniture and equipment   | <b><u>16,222</u></b>           | <u>14,316</u>                  |
|   | <b><u>81,502</u></b>           | <u>88,943</u>                  |
| <b>TOTAL CAPITAL</b>  | <b>43,461</b>                  | 31,586                         |
| <b>DEDUCTIONS</b>   | <u>-</u>                       | <u>-</u>                       |
| <b>NET CAPITAL BEFORE HAIRCUTS ON<br/>SECURITIES POSITIONS</b>  | <b>43,461</b>                  | 31,586                         |
| <b>HAIRCUTS ON SECURITIES</b>   |                                |                                |
| Money market funds, 2%  | <b>(1,003)</b>                 | (615)                          |
| Other securities  | <u>-</u>                       | <u>-</u>                       |
| <b>NET CAPITAL</b>  | <b><u><u>\$ 42,458</u></u></b> | <b><u><u>\$ 30,971</u></u></b> |
| <b>RECONCILIATION WITH COMPANY'S COMPUTATION</b><br>(Included in Part II of Form X-17a-5<br>as of December 31, 2003 and 2002) |                                |                                |
| <b>NET CAPITAL as reported in Company's Part II<br/>(unaudited) focus report</b>  | <b>\$ 42,458</b>               | \$ 30,971                      |
| <b>ADJUSTMENTS, rounding</b>  | <u>-</u>                       | <u>-</u>                       |
| <b>NET CAPITAL</b>  | <b><u><u>\$ 42,458</u></u></b> | <b><u><u>\$ 30,971</u></u></b> |

*The accompanying notes are an integral part  
of these financial statements.*

**HOLBEIN ASSOCIATES, INC.**  
Computations of Basic Net Capital Requirement  
December 31, 2004 and 2003

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|   | 2003             | 2002             |
|---|------------------|------------------|
| MINIMUM NET CAPITAL REQUIRED                                  | <u>\$ 610</u>    | <u>\$ 701</u>    |
| MINIMUM DOLLAR NET CAPITAL REQUIREMENT<br>OF REPORTING DEALER | <u>\$ 5,000</u>  | <u>\$ 5,000</u>  |
| NET CAPITAL REQUIREMENT                                       | <u>\$ 5,000</u>  | <u>\$ 5,000</u>  |
| EXCESS NET CAPITAL  | <u>\$ 37,458</u> | <u>\$ 25,971</u> |
| EXCESS NET CAPITAL AT 1000%                                   | <u>\$ 41,542</u> | <u>\$ 29,918</u> |

*The accompanying notes are an integral part  
of these financial statements.*



**HOLBEIN ASSOCIATES, INC.**  
**Computations of Aggregate Indebtedness**  
**December 31, 2004 and 2003**

|   | <b>2004</b>            | 2003                    |
|---|------------------------|-------------------------|
| <b>TOTAL AGGREGATE INDEBTEDNESS LIABILITIES<br/>FROM BALANCE SHEET</b>                        | <b>\$ 9,156</b>        | <b>\$ 10,524</b>        |
| <b>ADD</b>  |                        |                         |
| Drafts for immediate credit   | -                      | -                       |
| Market value of securities borrowed for which<br>no equivalent value is paid or credited      | -                      | -                       |
| Other unrecorded amounts  | -                      | -                       |
| <b>TOTAL AGGREGATE INDEBTEDNESS</b>   | <b><u>\$ 9,156</u></b> | <b><u>\$ 10,524</u></b> |
| <b>PERCENTAGE OF AGGREGATE INDEBTEDNESS<br/>TO NET CAPITAL</b>                                | <b><u>22%</u></b>      | <b><u>34%</u></b>       |
| <b>PERCENTAGE OF DEBT TO DEBT EQUITY TOTAL<br/>COMPUTED IN ACCORDANCE WITH RULE 15c3-1(d)</b> | <b><u>N/A</u></b>      | <b><u>N/A</u></b>       |

*The accompanying notes are an integral part  
of these financial statements.*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

Holbein Associates, Inc.  
Dallas, Texas

In planning and performing our audits of the financial statements and supplemental schedules of Holbein Associates, Inc. (the Company), for the years ended December 31, 2004 and 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5 (Continued)**

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Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 and 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Dutton, Patterson & Company*

January 25, 2005  
Dallas, Texas